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RAILROAD COMMISSION OF TEXAS
Gas Services Division
Market Oversight Section

April 2, 2012

Natural Gas Trends

Highlights

NEW DATA ON NATURAL GAS STORAGE IN THE PRODUCING REGION

As of March 16, 2012, non-salt cavern inventories of natural gas were about 752 billion cubic feet - about three times higher than inventories in salt caverns in the Producing Region.

For those with an interest in the speed and agility of the natural gas market, especially in response to extreme weather conditions, the U.S. Energy Information Administration (EIA) is now reporting a weekly breakout of underground gas storage inventory levels in the Producing Region, delineating between gas inventories in salt caverns and gas inventories in non-salt caverns.

Why does it matter? Salt caverns generally have a higher level of operational flexibility than non-salt caverns. For example, salt caverns usually are able to quickly inject or withdraw from storage significant quantities of natural gas, multiple times per year.

Non-salt caverns, such as depleted reservoirs and aquifers, usually provide seasonal injections and withdrawals, with injections into storage occurring between April and October and withdrawals from storage occurring between November and March. Another distinction: Some non-salt caverns require customers to reduce their level of natural gas in storage to a specified threshold at the end of the withdrawal season; salt caverns generally do not impose such a limitation.

The Producing Region includes Texas as well as Alabama, Arkansas, Kansas, Louisiana, Mississippi, New Mexico, and Oklahoma. EIA is now including salt and non-salt cavern natural gas storage data for the Producing Region in the "Summary" section of that agency's *Weekly Natural Gas Storage Report*, available at:

http://ir.eia.gov/ngs/ngs.html

Data

- May Natural Gas Futures Contract (as of March 30), NYMEX at Henry Hub closed at $2.126 per million British thermal units (MMBtu)
- May Light, Sweet Crude Oil Futures Contract (as of March 30), NYMEX at Cushing closed at $103.02 per U.S. oil barrel (Bbl.) or approximately $16.40 per MMBtu

Last week: Texas, U.S. HDD lower than norm

For the week beginning 3/25/12 and ending 3/31/12, heating degree days (HDD) were again lower than normal for Texas and the U.S. For the heating season (7/1/11 to 6/30/12), cumulative heating degree days were 30% below normal for Texas and 32% below normal for the U.S. Source: www.cpc.ncep.noaa.gov

HEATING DEGREE DAYS (HDD)

City or Region	Total HDD for week ending 3/31/2012	*Week HDD + / - from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	0	-101	3349	-15%
Austin	0	-23	1458	-17%
DFW	0	-37	1764	-23%
El Paso	0	-45	2230	-9%
Houston	0	-22	951	-27%
SAT	0	-21	1123	-27%
Texas**	5	-30	1526	-21%
U.S.**	80	-32	3300	-18%

* A minus (-) value is warmer than normal; a plus (+) value is cooler than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which HDD are calculated. ** State and U.S. degree days are population-weighted by NOAA.

Last week: U.S. natural gas storage at 2,437 Bcf

For the week ending 3/23/12, U.S. working gas in storage rose from 2,380 to 2,427 Bcf, compared to 1,621 Bcf in storage a year ago and compared to an average of 1,537 Bcf in storage during the 5-year period from 2007 to 2011. Working gas in storage in the producing region (which includes Texas) rose from 985 to 1,019 Bcf. Source: www.eia.doe.gov

U.S. WORKING GAS IN STORAGE

Region	Week ending 3/23/12	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,074	1,049	25	+ 60.1%
West	344	346	-2	+ 43.3%
Producing	1,019	985	34	+ 62.5%
Lower 48 Total	2,437	2,380	57	+ 58.6%

Lower 48 states, underground storage, units in billion cubic feet (Bcf)

Last week: U.S. gas rig count up 6 to 658

The **gas** rig count for the U.S. was up 6 when compared to the prior week and down 233 when compared to 12 months ago. The U.S. **total** rig count was up 11 from the prior week, and up 203 when compared to 12 months ago.

Source: Baker Hughes

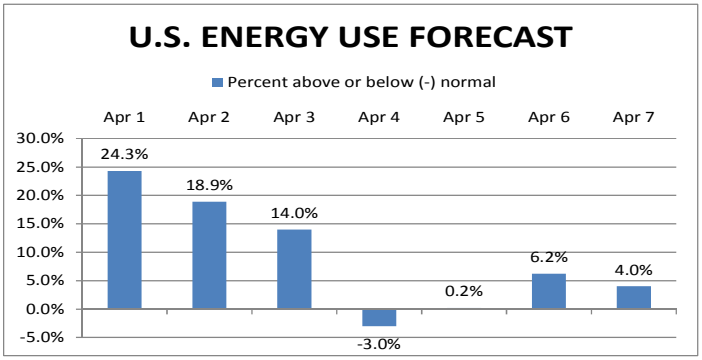
BAKER HUGHES ROTARY RIG COUNT				
	As of 3/30/12	+/- prior week	Year ago	+/- year ago
Texas	922	+7	770	149
U.S. gas	658	+6	891	-233
U.S. oil	1318	+5	877	+441
U.S. total	1979	+11	1776	+203
Canada	256	-96	285	-29

Numbers are excerpted and not meant to be totaled

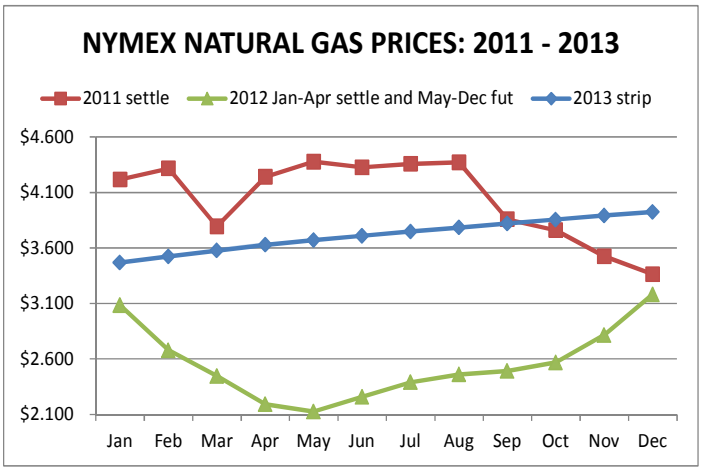
This week: U.S. energy mostly higher than norm

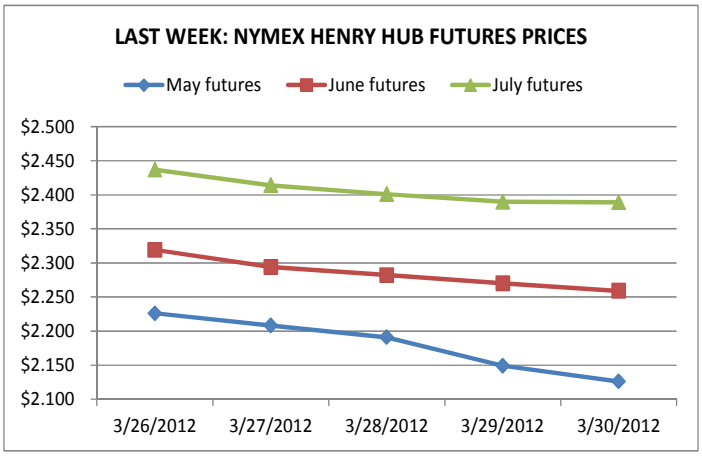
U.S. energy use is forecasted to be higher than normal this week, with the exception of lower than normal energy use on Wednesday, according to the Dominion Energy Index, as shown below. Dominion forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index



Strip prices. Natural gas strip prices for 2013, shown below in blue, are the average of daily settlement prices for the next twelve months of natural gas futures contracts.





NATURAL GAS PRICE SUMMARY AS OF 3/30/2012

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US May futures				
NYMEX	$2.126	-$0.149	-$2.251	$2.800

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